

July 11, 2011

Natural Gas Trends

Highlights

EIA's REVIEW OF EMERGING RESOURCES

The U.S. Energy Information Administration (EIA) recently commissioned INTEK, Inc. (Intek) to develop an assessment of technically recoverable shale gas and other resources in the Lower 48 states. Intek conducted 29 analyses of the undeveloped portions of 20 shale plays, highlighted below.

Intek estimates the Lower 48 states have 750 trillion cubic feet of technically recoverable shale gas resources.



Source: Energy Information Administration

On July 8, EIA released Intek's report, which states that 86% of the 750 trillion cubic feet (Tcf) of technically recoverable shale gas resources are in the Northeast, Gulf Coast and Southwest regions. The report identifies the three largest shale gas plays as the:

- Marcellus (410.3 Tcf),
- Haynesville (74.7 Tcf), and
- Barnett (43.4 Tcf) shales.

Intek's 105-page *Review of Emerging Resources: Shale Gas and Shale Oil Plays* can be downloaded from EIA's website at: <http://www.eia.gov/analysis/studies/usshalegas/>

Data

- August Natural Gas Futures Contract (as of July 8), NYMEX at Henry Hub closed at \$4.205 per million British thermal units (MMBtu)
- August Light, Sweet Crude Oil Futures Contract (as of July 8), NYMEX at Cushing closed at \$96.20 per U.S. oil barrel (Bbl.) or approximately \$15.32 per MMBtu

Last week: Texas, U.S. still hotter than normal

For the week beginning 7/3/11 and ending 7/9/11, cooling degree days were significantly higher than normal for Texas and the U.S. For the cooling season (1/1/11 to 12/31/11), cumulative cooling degree days are 36% above normal for Texas and 24% above normal for the U.S.

Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)

City or Region	Total CDD for week ending 7/9/11	* Week CDD +/- from Normal	Year-to-date total CDD	* YTD % +/- from Normal
Amarillo	140	+ 49	894	+ 75 %
Austin	135	+ 2	1633	+ 34 %
Dallas – FW	182	+ 48	1476	+ 47 %
El Paso	164	+ 38	1425	+ 42 %
Houston	154	+ 28	1770	+ 45 %
San Antonio	152	+ 19	1806	+ 42 %
Texas**	150	+ 26	1511	+ 36 %
U.S.**	87	+ 18	575	+ 24 %

* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDDs are calculated.

** State and U.S. degree days are population-weighted by NOAA.

Last week: U.S. Gas Storage Rises to 2,527 Bcf

For the week ending 7/1/11, U.S. working gas in storage increased from 2,432 to 2,527 Bcf, compared to 2,751 Bcf in storage a year ago and compared to an average of 2,575 Bcf in storage during the 5-year period from 2006 to 2010. Working gas in storage in the producing region (which includes Texas) increased from 970 to 987 Bcf.

Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE

Region	Week ending 7/1/11	Prior Week	One-week Change	Current Δ from 5-YR Average (%)
East	1,189	1,127	+ 62	- 9.0 %
West	351	335	+ 16	- 9.5 %
Producing	987	970	+ 17	+ 12.2 %
Lower 48 Total	2,527	2,432	+ 95	- 1.9 %

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: Gas Rig Count down 1 to 873

The gas rig count for the U.S. was down 1 last week when compared to the prior week, and down 91 when compared to 12 months ago. The U.S. total rig count was up 1 when compared to the prior week, and up 320 when compared to 12 months ago.

Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT

	As of 7/8/11	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	1887	+ 1	1567	+ 320
Gas	873	- 1	964	- 91
Oil	1007	+ 1	592	+ 415
Texas	850	- 3	678	+ 172
N. Amer.	2218	+ 92	1915	+ 303

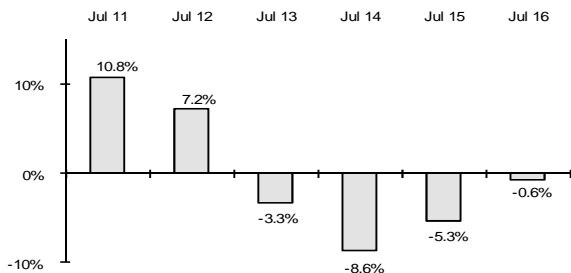
Numbers are excerpted and not meant to be totaled

This week: U.S. Energy use expected to decline

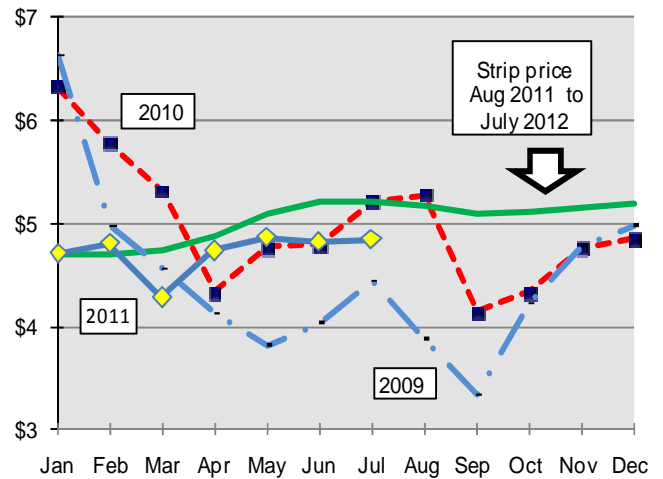
U.S. energy use is forecasted to be higher than normal through Tuesday, then lower than normal, according to the Dominion Energy Index, as shown below. Dominion forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

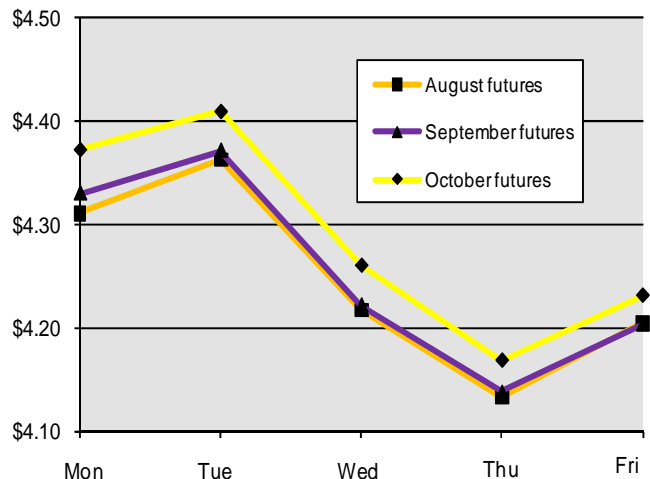
U.S. ENERGY USE FORECAST



NYMEX HENRY HUB FUTURES PRICES



NYMEX NATURAL GAS PRICE MOVEMENT 7/4/11 - 7/8/11



NATURAL GAS PRICE SUMMARY AS OF 7/8/11

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US August futures				
NYMEX	\$4.205	-\$0.106	-\$0.569	\$4.520

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